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Feature Article - Australia's International Trade in Services by State

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INTRODUCTION

The ABS has been publishing statistics on Australia's international trade in services by State since mid-1997. The statistics have been compiled, and are available on request, on a financial year basis from 1992-93 to 1998-99.

This article presents calendar year 1999 estimates of Australia's international trade in services by State and Territory. For both credits and debits 11 broad service types by State are presented, with more detailed services commodities also shown.

Confidentiality restrictions severely limit the detail that can be provided for some States and Territories, and preclude publishing the statistics on a quarterly basis.

The definition of the components of international trade in services is consistent with the trade in services measures as defined and presented in Australia's balance of payments statistics. A detailed definition of all services can be found in the ABS publication **Balance of Payments and International Investment Position, Australia: Concepts, Sources and Methods 1998** (Cat. no. 5331.0). Appendix A illustrates the type of services covered by the components of other business services.

ANALYSIS

Services credits (i.e. exports) were \$26.9 billion in 1999. NSW, Victoria, Queensland and WA all recorded services credits in excess of \$1.0 billion. NSW recorded the largest contribution of \$12.1 billion. Tasmania and the Northern Territory recorded the smallest services credits of \$0.2 billion and \$0.3 billion respectively.

Services debits (i.e. imports) were \$28.5 billion in 1999. NSW, Victoria, Queensland, WA and SA all recorded services debits in excess of \$1.0 billion. NSW recorded the largest services debit of \$12.9 billion. Tasmania and the Northern Territory recorded the smallest services debits of \$0.2 billion each.

ESTIMATING TRADE IN SERVICES BY STATE

The State trade in services statistics have been compiled by splitting the Australia-wide totals using a number of assumptions and approximations. The State allocation methods for transportation, travel and communication services are considered reasonable, especially for the

analysis of movements in the services. The allocation for other business services, however, is primarily based on the location of the business reporting the information as a proxy for State of origin/consumption of that service.

For insurance, financial services, computer and information services, royalties and copyrights, other business services and personal, cultural and recreational services (which together account for about 25% of all trade in services), the State of trade has been assigned using the postcode of the business that provides the relevant data to the ABS. This approximation is considered quite good for many businesses and satisfactory for most State or Territory aggregates.

Alternative estimation approaches have been used where the State of reporting business as an approximation for State of trade is known to be either poor or irrelevant. Transportation services uses a combination of indicators to approximate the State allocation. These include merchandise trade statistics by State, and short term arrivals and departures by State of clearance. Overseas departures data by the State where most time was spent are used to allocate the business and personal travel components of travel credits. Education-related travel credits are split using State data provided by the Department of Education, Training and Youth Affairs. Travel debits are split using overseas departures data for resident departures by State.

For communication services, a domestic indicator for allocating the consumption of telecommunications and postal services by State in the national accounts is used to approximate the State allocation of the cross border trade in these services. It is assumed that outgoing international calls and terminating connections for incoming international calls will be reasonably well aligned with total service consumption by State or Territory.

Care should be exercised in interpreting the State data because of the unknown impact of the use of indicators or the location of the business as a proxy for State of origin/consumption.

FURTHER INFORMATION

Further information and longer time series for both calendar and financial year data by State can be obtained by contacting Karen MacLennan on Canberra 02 6252 6689, or fax 02 6252 7219, or email karen.maclennan@abs.gov.au

AUSTRALIA'S INTERNATIONAL TRADE IN SERVICES BY STATE, 1999

	NSW	VIC	QLD	SA	WA	TAS	NT	ACT	Unallocated	Australia total
CREDITS (\$ MILLION)										
Transportation	2,778	1,936	1,201	117	571	10	47	0	0	6,660
Travel										
Education-related	1,193	885	471	153	359	31	6	57	1	3,156
Other	3,923	1,354	2,639	216	900	60	109	68	15	9,284
Total	5,116	2,239	3,110	369	1,259	91	115	125	16	12,440
Communication (a)	486	292	208	107	110	27	22	13	10	1,275
Construction	12	1	0	n.p.	n.p.	0	0	0	0	21
Financial	413	315	3	0	1	0	0	0	0	732
Insurance	567	297	0	0	0	0	0	0	9	873
Computer & information	494	83	n.p.	7	5	0	1	0	n.p.	652
Royalties & licence fees	391	92	22	n.p.	13	0	0	n.p.	0	533
Other business services										
Merchanting	86	50	n.p.	3	n.p.	n.p.	0	0	n.p.	339

- (a) Communication services includes other services nie.
(b) For cells annotated 'n.p.' the data are included in Confidential items.

APPENDIX A: CLASSIFICATION OF OTHER BUSINESS SERVICES

MERCHANTING AND OTHER TRADE RELATED SERVICES

Merchanting services cover the purchase of a good by an Australian resident from a non-resident and the subsequent resale of the good to another non-resident. During the merchanting process, the good leaves the country from which it was purchased, but does not enter or leave Australia. Excluded are goods exported from and imported into Australia.

Trade related services cover commissions on goods and services transactions between (i) resident merchants, commodity brokers, dealers, and commission agents and (ii) non-residents. Included are commissions etc. relating to the sale or leasing of ships or aircraft, as well as auction sales.

OPERATIONAL LEASING SERVICES

This item covers leasing and charters of ships, aircraft and other transportation equipment eg. railway car containers, rigs, etc. This item excludes leases of ships and aircraft for limited periods (such as a voyage charter) for the carriage of passengers or freight where the lessee does not operate the craft. Such leases are regarded as the acquisition of either freight or passenger services and are included in transportation services. Also excluded are finance leases, leasing of telecommunications lines and leasing of land, buildings and other real estate, and car rentals to foreign travellers.

PROFESSIONAL SERVICES

Professional services includes the following four services:

Legal services covers legal advisory and representation services in any law, judicial and statutory procedures; drafting services of legal documentation and instruments; certification consultancies; auctioning services; and escrow and settlement services.

Accounting & auditing services cover the recording of commercial transactions for businesses and others; examination services of accounting records and financial statements; and business tax planning and consulting and preparation of tax documents.

Advertising, market research and public opinion polling covers the design, creation, and marketing of advertisements by advertising agencies; media placement, including the purchase and sale of advertising space; exhibition services provided by trade fairs; the promotion of products abroad ; market research; and public opinion polling abroad on various issues.

Management consultancy & public relations services covers advisory, guidance and operational assistance services provided to businesses for business policy and strategy and the overall planning, structuring and control of an organisation. It includes management auditing; financial management, market management, human resources, production management and project management consultancy, and advisory, guidance and operational services related to

improving the image of the clients and their relations with the general public and other institutions.

RESEARCH AND DEVELOPMENT

This item covers those services transacted between residents and non-residents that are associated with basic research, applied research, and experimental development of new products and processes, in the sciences, social sciences, and humanities. Included is the development of operating systems that represent technological advances. Excluded are market research, technical studies and consultancy work.

ARCHITECTURAL, ENGINEERING AND OTHER TECHNICAL SERVICES

Included in architectural, engineering and other technical services are transactions related to architectural design of urban and other development projects; planning and project design and supervision of dams, bridges, airports, turnkey projects, etc.; and surveying, cartography, product testing and certification, and technical inspection services.

AGRICULTURAL, MINING, AND ON-SITE PROCESSING SERVICES

Agricultural, mining, and on-site processing services includes:

Agricultural services covering services incidental to agriculture (providing agricultural machinery with crew, harvesting, treatment of crops, pest control, animal boarding, care and breeding services), hunting, trapping, forestry and logging, and fishing.

Mining services which covers services rendered at oil and gas fields; drilling, derrick building, repair and dismantling services, oil and gas well casings cementing, services incidental to mineral prospecting and exploration, and geological surveying.

Waste treatment and de-pollution which covers the treatment of radioactive waste, stripping work of contaminated soil, cleaning up of pollution, decontamination services and sanitation.

Other on-site processing services which covers the maintenance and repair of machinery (except transport and office machinery and equipment) and on-site processing and treatment of any kind of product that is not subsequently exported from the processing economy.

SERVICES BETWEEN AFFILIATED ENTERPRISES N.I.E

Services between affiliated enterprises not included elsewhere (n.i.e.) covers payments by affiliates to their parent companies representing contributions to their general management costs (for planning, organising, and controlling) and reimbursements of affiliates' expenses settled directly by parent companies and not separately identifiable by the nature of the service acquired by the affiliates, funds transferred by parent companies to affiliates for covering overhead expenses, and any other services between affiliated enterprises that cannot be broken into individual service categories.

OTHER SERVICES

This item covers manufacturing services rendered at manufacturing establishments, and services

incidental to the manufacturing process. Other business services such as placement of personnel, security and investigative services, translation and interpretation, photographic services, and building cleaning, etc are included in this item, as are payments for local supplies, utility payments, etc. by non-resident businesses engaged in construction services.

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